

AMENDED IN ASSEMBLY APRIL 17, 2007

AMENDED IN ASSEMBLY MARCH 29, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

## ASSEMBLY BILL

**No. 118**

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**Introduced by Assembly Member Nunez**

January 9, 2007

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An act to add Chapter 8.9 (commencing with Section 44270) to Part 5 of Division 26 of the Health and Safety Code, relating to fuels.

### LEGISLATIVE COUNSEL'S DIGEST

AB 118, as amended, Nunez. Alternative fuels: ~~Alternative Fuel, Clean Air, and Carbon Reduction Act of 2007, and vehicle technologies: funding programs.~~

Existing law imposes various limitations on emissions of air contaminants for the control of air pollution from vehicular and nonvehicular sources. Existing law generally designates the State Air Resources Board as the state agency with the primary responsibility for the control of vehicular air pollution. Under existing law, the state board, in conjunction with other state agencies, is required to develop and adopt a state plan to increase the use of alternative fuels, as defined.

This bill would create the Air Quality Improvement Program, *administered by the state board*, to fund air quality improvement projects, upon appropriation *by the Legislature*, relating to fuel and vehicle technologies. The bill would also create the ~~Alternative Fuel Research and Incentive Program, the Alternative Fuel Vehicle Technologies Research and Incentive Program, and the Alternative Fuel Infrastructure, Fueling Stations, and Equipment Incentive Program~~ to fund air quality improvement, upon appropriation by the Legislature

*Alternative and Renewable Fuel, Vehicle Technology, Carbon Reduction, and Clean Air Program, administered by the State Energy Resources Conservation and Development Commission, to provide, upon appropriation by the Legislature, grants and revolving loans to state agencies, public-private partnerships, vehicle and technology consortia, and academic institutions to develop innovative technologies that transform California's fuel and vehicle types. The commission would be required to establish an advisory body to develop investment strategies to help implement this program.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1. It is the intent of the Legislature in enacting this~~  
2     ~~act to provide ongoing funding for alternative fuel research,~~  
3     ~~development, and deployment in order to advance the state's~~  
4     ~~leadership in clean technologies, meet the state's clean air and~~  
5     ~~greenhouse gas emission reduction standards, develop~~  
6     ~~public-private partnerships, and ensure a reliable fuel supply. It is~~  
7     ~~also the intent of the Legislature in enacting this act to ensure that~~  
8     ~~research is conducted to evaluate the air quality impacts of~~  
9     ~~alternative fuels and to establish clear criteria to prevent net~~  
10    ~~increases in criteria air pollutants and air toxics.~~

11    ~~SECTION 1. The Legislature finds and declares all of the~~  
12    ~~following:~~

13    ~~(a) The California Global Warming Solutions Act of 2006~~  
14    ~~(Division 25.5 (commencing with Section 38500) of the Health~~  
15    ~~and Safety Code) requires California to reduce statewide~~  
16    ~~greenhouse gas emissions to 1990 levels by 2020.~~

17    ~~(b) The transportation sector is responsible for approximately~~  
18    ~~40 percent of statewide greenhouse gas emissions.~~

19    ~~(c) The State Energy Resources Conservation and Development~~  
20    ~~Commission (Energy Commission) in its Integrated Energy Policy~~  
21    ~~Report recommends that alternative fuels comprise 20 percent of~~  
22    ~~on-road motor vehicle fuels by 2020.~~

23    ~~(d) The State Air Resources Board is currently developing a~~  
24    ~~"low-carbon" fuel standard for transportation fuels to reduce the~~  
25    ~~carbon intensity of transportation fuels by 10 percent by 2020.~~

1     (e) *The Energy Commission will adopt a state alternative fuel*  
2 *implementation plan by June 30, 2007, to increase the use of*  
3 *alternative transportation fuels by recommending policies and*  
4 *financial incentives, and identifying barriers to alternative fuel*  
5 *use.*

6     (f) *Investing in the development of innovative and pioneering*  
7 *technologies will assist California in achieving the 2020 statewide*  
8 *limit on emissions of greenhouse gases.*

9     (g) *Research, development, and commercialization of alternative*  
10 *fuels and vehicle technologies in California have the potential to*  
11 *strengthen California's economy by providing job growth and*  
12 *helping to reduce the state's vulnerability to petroleum price*  
13 *volatility.*

14     (h) *This act will provide ongoing funding for alternative fuel*  
15 *and vehicle technology research, development, demonstration,*  
16 *and deployment in order to advance the state's leadership in clean*  
17 *technologies, meet the state's clean air and greenhouse gas*  
18 *emission reduction standards, develop public-private partnerships,*  
19 *and ensure a reliable fuel supply.*

20     (i) *This act will ensure that research is conducted to evaluate*  
21 *the air quality impacts of alternative fuels and to establish clear*  
22 *criteria to prevent net increases in criteria air pollutants and air*  
23 *toxics.*

24     (j) *This act will be implemented in a manner to ensure the fair*  
25 *treatment of people of all races, cultures, and income levels,*  
26 *including minority populations and low-income populations of the*  
27 *state.*

28     (k) *This act will provide funding consistent with the California*  
29 *Global Warming Solutions Act of 2006, the Integrated Energy*  
30 *Policy Report, the plan adopted pursuant to Section 43866 of the*  
31 *Health and Safety Code, and other state goals and requirements.*

32     SEC. 2. Chapter 8.9 (commencing with Section 44270) is added  
33 to Part 5 of Division 26 of the Health and Safety Code, to read:

34  
35         CHAPTER 8.9. ~~ALTERNATIVE FUEL~~ ALTERNATIVE FUEL, CLEAN  
36                 AIR, AND CARBON REDUCTION PROGRAMS  
37

38         44270. This chapter shall be known, and may be cited, as the  
39 ~~Alternative Fuel Clean Air~~ *California Alternative and Renewable*

1 *Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act*  
2 *of 2007.*

3 *44270.3. For the purposes of this chapter, the following terms*  
4 *have the following meanings:*

5 (a) *“Alternative fuel” means a nonpetroleum fuel, including,*  
6 *but not limited to, electricity, ethanol, biodiesel, methanol, or*  
7 *natural gas that, when used in vehicles, has demonstrated to the*  
8 *satisfaction of the state board, to have the ability to meet applicable*  
9 *vehicular emission standards. For the purpose of this chapter,*  
10 *alternative fuel may also include petroleum fuel blended with*  
11 *nonpetroleum constituents.*

12 (b) *“Commission” means the State Energy Resources*  
13 *Conservation and Development Commission.*

14 (c) *“Full fuel-cycle assessment” means evaluating and*  
15 *comparing the full environmental and health impacts of each step*  
16 *in the life cycle of a fuel, including, but not limited to, all of the*  
17 *following:*

18 (1) *Feedstock production, extraction, transport, and storage.*

19 (2) *Fuel production, distribution, transport, and storage.*

20 (3) *Vehicle operation, including refueling, combustion,*  
21 *conversion, and evaporation.*

22 *44270.5. (a) The Air Quality Improvement Program is hereby*  
23 *created to fund, upon appropriation by the Legislature, air quality*  
24 *improvement projects relating to fuel and vehicle technologies not*  
25 *addressed by the Carl Moyer Memorial Air Quality Standards*  
26 *Attainment Program created by Chapter 9 (commencing with*  
27 *Section 44275). The program shall be administered by the state*  
28 *board in coordination with the commission, and other state*  
29 *agencies that the state board deems appropriate.*

30 (b) *Projects to be funded by the Air Quality Improvement*  
31 *Program shall include, but not be limited to, all of the following:*

32 (1) *Off-road equipment projects that contemplate action not*  
33 *required by control measures adopted by the state board or any*  
34 *other laws, to mitigate for criteria air pollutant and toxic air*  
35 *contaminant emissions.*

36 ~~(2) *Regional air quality projects to address mobile source*~~  
37 ~~*emissions. These projects may make special consideration for*~~  
38 ~~*heavy duty trucks and equipment.*~~

39 (2) *Projects that provide mitigation for air pollution resulting*  
40 *from on-road emissions prior to 2012 that were associated with*

1 *permeation or hydrocarbon emissions or oxides of nitrogen*  
2 *emissions that occurred as a result of the phase out of methyl*  
3 *tertiary-butyl ether (MTBE) and its replacement with ethanol.*

4 (3) Projects that provide research to determine the air quality  
5 impacts of alternative fuels and projects that study the life-cycle  
6 impacts of alternative fuels and conventional fuels, the emissions  
7 of biofuel and advanced reformulated gasoline mixes, and air  
8 pollution improvement and control technologies for use with  
9 alternative fuels and vehicles.

10 ~~(4) Projects that provide mitigation for air pollution emissions~~  
11 ~~resulting from alternative fuels.~~

12 (4) *Projects that augment the University of California's*  
13 *Agricultural Extension Program for research to increase*  
14 *sustainable biofuels production and improve the collection of*  
15 *biomass feedstocks.*

16 (c) The Air Quality Improvement Program may be used to  
17 augment the program created by Article 10 (commencing with  
18 Section 44100) of Chapter 5.

19 ~~44271. The Alternative Fuel Research and Incentive Program,~~  
20 ~~the Alternative Fuel Vehicle Technologies Research and Incentive~~  
21 ~~Program, and the Alternative Fuel Infrastructure, Fueling Stations,~~  
22 ~~and Equipment Incentive Program are hereby created to fund air~~  
23 ~~quality improvement, upon appropriation by the Legislature.~~

24 ~~44271. (a) There is hereby created the Alternative and~~  
25 ~~Renewable Fuel, Vehicle Technology, Carbon Reduction, and~~  
26 ~~Clean Air Program. The program shall be administered, in~~  
27 ~~accordance with this chapter, by the commission in coordination~~  
28 ~~with the California Environmental Protection Agency and other~~  
29 ~~state agencies deemed appropriate by the commission.~~

30 (b) (1) *The program shall provide, upon appropriation by the*  
31 *Legislature, grants and revolving loans to state agencies,*  
32 *public-private partnerships, vehicle and technology consortia, and*  
33 *academic institutions to develop innovative technologies that*  
34 *transform California's fuel and vehicle types to help attain the*  
35 *state's climate change policies, without adopting any one preferred*  
36 *fuel or technology.*

37 (2) *The program shall provide funding complementary to*  
38 *programs and projects that are market-based and to existing public*  
39 *and private investments, including existing state programs that*  
40 *further the goals of this chapter.*

1 (c) The commission shall establish an advisory body to develop  
2 investment strategies to help implement the Alternative and  
3 Renewable Fuel, Vehicle Technology, Carbon Reduction, and  
4 Clean Air Program. The advisory body shall have representatives  
5 from the State Resources Agency, the Business, Transportation  
6 and Housing Agency, the California Environmental Protection  
7 Agency, fuel and vehicle technology consortia, environmental  
8 organizations, consumer advocates, academic institutions, and  
9 private industry.

10 (d) The commission, in coordination with the California  
11 Environmental Protection Agency and the advisory body created  
12 pursuant to subdivision (c), shall establish criteria and priorities  
13 for the awarding of competitive grants based on an applicant's  
14 use of private matching dollars, ability to support existing and  
15 future state climate change policy, ability to provide transformative  
16 technology advancements, ability to develop innovative new  
17 technology solutions, and the promotion of California-based  
18 technology firms, among other criteria. The commission shall  
19 annually review priorities, guidelines, and other criteria made by  
20 the commission, in coordination with the California Environmental  
21 Protection Agency and the advisory body.

22 44272. Projects to be funded by the Alternative and Renewable  
23 Fuel, Vehicle Technology, Carbon Reduction, and Clean Air  
24 Program shall include, but not be limited to, all of the following:

25 (a) Alternative and renewable fuel research and development  
26 projects to improve and develop alternative and low-carbon fuels,  
27 including ethanol, dimethyl ether, renewable diesel, natural gas,  
28 and biomethane, among others, and their feedstocks that have high  
29 potential for long-term or short-term commercialization.

30 (b) Alternative and renewable fuel deployment projects that  
31 optimize fuels for existing and developing engine technologies,  
32 production of alternative and low-carbon fuels in California, and  
33 development of less carbon intensive processes for current fuels.

34 (c) Technology deployment projects to decrease the overall  
35 impact of a fuel's life-cycle carbon footprint and sustainability.

36 (d) Alternative and renewable fuel infrastructure, fueling  
37 stations, and equipment incentive projects.

38 (e) Alternative and renewable fuel and efficient vehicle  
39 technology research development projects for the improvement  
40 and development of light-, medium- and heavy-duty vehicle

1 *technologies that provide for better fuel efficiency, alternative fuel*  
2 *usage and storage, or emission reductions, including propulsion*  
3 *systems, light weight materials, energy storage, engine optimization*  
4 *with a target particularly for renewable and low carbon fuels,*  
5 *electronic and electrified components, hybrid technology, plug-in*  
6 *hybrid technology, and fuel cell technology.*

7 *(f) Alternative and renewable fuel and efficient vehicle*  
8 *technology deployment programs and projects for the*  
9 *demonstration and deployment of vehicle technologies in California*  
10 *that accelerate the commercialization of vehicle technology,*  
11 *including buy-down programs for near-market and market-path*  
12 *deployments.*

13 *(g) Revolving loans to small and medium size businesses for*  
14 *medium- and heavy-duty vehicle fleets to retrofit existing fleets*  
15 *with technologies that create higher fuel efficiencies, including*  
16 *idle management technology and aerodynamic retrofits that*  
17 *decrease fuel consumption.*

18 *(h) Alternative fuel and electric infrastructure projects that*  
19 *promote infrastructure development connected with existing fleets,*  
20 *public transit, and existing transportation corridors.*